Welfare and Income in New York City

By

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CENTER FOR NEW YORK CITY AFFAIRS
NEW SCHOOL FOR SOCIAL RESEARCH

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IN

NEW YORK CITY

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Foreword

This study on Welfare and Income in New York City which was done with the assistance of the New York State Council of Economic Advisers represents a continuing effort by the Center for New York City Affairs to improve public understanding of significant aspects of the public assistance program.

New Yorkers, traditionally liberal and humane, have long supported a program of adequate cash assistance to those in need. They still do. But they have become concerned in recent years about the way the program is working. Some claim that vast numbers of people are eligible for welfare but are not receiving it, and others claim that the estimates of need are exaggerated. The cloud of public doubt that hangs over the program interferes with policies designed to help those genuinely in need.

Dr. Blanche Bernstein in this analysis of Welfare and Income in 1969 has attempted to put the picture in perspective. She finds no vast reservoir of people eligible for welfare who are not on welfare but her analysis uncovers some problems which require attention by the appropriate public authorities.

It is our hope that this study will lead to an objective review of the welfare caseload in New York to insure that those who do need assistance will obtain it, and that those who can work will be motivated to take jobs suitable to their skills.

Henry Cohen
Director, Center for
New York City Affairs

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WELFARE AND INCOME IN NEW YORK CITY

Trends in welfare during the decade of the 60's was a subject of increasing concern to federal, state, and local officials, as well as the general public and in 1970-71 was a focus of discussion in the Congress, state legislatures, city halls, and the press. The reasons for the large increase in caseloads are hotly debated, particularly so in New York City where, by the end of 1969, about 13.4 percent of the people in the city were on welfare, and by the end of 1970, more than one in seven persons or 14.8 percent were receiving public assistance payments.[1]

One of the crucial issues in the continuing debate is the question: How many people in the city are potentially eligible for public assistance according to the established welfare standards and the distribution of individuals and families by income level? Various estimates have been published which indicate that, despite the more than tripling of the caseload in New York in the last 10 years, there remains a vast reservoir of eligibles who are not exercising their right to receive public assistance. One such recent estimate, asserts that about a quarter-million families among the working poor are eligible but are not receiving welfare. Rarely, however, is the basis of the estimate revealed so that it could be subjected to critical analysis. Nevertheless, such estimates are frequently repeated in the press and on TV and often serve to cloud rather

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1. The December, 1970 public assistance caseload included 1,165,228 persons. By March, 1971, it had risen to 1,195,603.

than to illuminate discussion of welfare issues.

In an earlier article entitled "Welfare in New York City"[2] data obtained from the U.S. Census Bureau on the income distribution of families and individuals living in New York City were analyzed to estimate the number of persons in the city eligible for welfare assistance in 1969; the results were compared with the number actually receiving assistance in mid-1969. While the income data related to 1968, the welfare allowances used in making the estimate were those prevailing in July 1969. Thus, the estimate exaggerated the actual number eligible (that is, the number of families and unrelated individuals with incomes at or below the welfare standard) to the extent that the rise in dollar incomes in 1969 resulted in fewer households with incomes below the eligible level. Further, it was not feasible, at that time, to carry the analysis beyond a simple comparison of the total number of persons who appeared eligible for welfare and the total number receiving welfare and continue on to an analysis of the composition of both groups in terms of unrelated individuals and family members, ethnic groups, and the aged, 65 years or older, and those younger than 65 years.

The passage of time, and the assistance of the Council of Economic Advisers of New York State, have made it possible to update and improve the analysis and to carry it further. Also, account is taken, insofar as it seems appropriate, of some of the criticisms made of the earlier analysis.

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2. Blanche Bernstein, "Welfare in New York City", City Almanac, February, 1970, published by Center for New York City Affairs, New School for Social Research.

The methodology is fully presented so that it can be reviewed independently and critically appraised.

The income data for 1969 used in this study, as did the data for 1968, come from the Current Population Survey (CPS) conducted by the U. S. Bureau of the Census.[3] There is reasonably widespread agreement among the experts who have looked into the question that the CPS income data are the most reliable data available for New York City for the inter-censal years and a reasonable guide to actual income distribution in the city; some would argue that they are more reliable than the decennial census data. Nevertheless, it is necessary to remind the reader that the CPS data, in common with other income surveys, also tend to underestimate actual income for several reasons.[4] These data present a further difficulty with respect

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3. The Bureau of Census does not publish income distribution data for New York City. The 1968 data were purchased by the Center for New York City Affairs. The 1969 data were purchased by the Bureau of the Budget, City of New York, and graciously made available to the Center.

4. By definition, capital gains (or losses) are not included, an omission which particularly affects the upper end of the income range. Among the low income groups, the tendency is to report net (i.e. net after income taxes) rather than gross income. Also, if the earner has had several jobs during the year, he may not remember accurately his total annual wages. In addition, the information is generally obtained from the housewife who does not always get a complete account of income from the husband. To minimize this bias, however, the CPS survey on income distribution is undertaken in mid-March when most households are preparing income tax returns and have in their possession the various forms from employers, banks and corporations indicating the income they have received. In all income groups, there is a tendency to under-report income from interest, dividends and rents, as well as earnings of adolescents in the family. Incomes of the self-employed and domestic workers also tend to be underestimated. Further, income from public assistance payments may be underestimated. According to Census officials, there has been a considerable drop in reporting of public assistance and social security payments; in other words, the degree of under-reporting of such payments has been increasing. According to census analysts, the underestimation of family income is about 10-11 percent. The degree of underestimation, however, is greater at both the lower and upper ends of the income range than it is in the middle.

to the analysis of the income-welfare relationship by ethnic group. Separate income data are not available for Puerto Ricans and for other whites, so that no separate analysis of these two groups is possible.

Trends in Income Distribution in New York City

As a background for the analysis of the income-welfare situation in 1969, it is useful to consider the trends in income distribution during the decade 1959-1969 and during 1968-69. One reason for doing so is to judge whether the figures make sense in terms of what we know about the city's families from other sources of data and thus to determine whether any adjustments need to be made in the income data to obtain as accurate an estimate as possible of the number and characteristics of those eligible for welfare.

An earlier analysis of income distribution (in constant 1968 dollars) in New York[5] indicated a very large decline in the proportion of families of two or more persons with incomes of less than $4,000 between 1949 and 1959 followed by relative stability between 1959 and 1968. At the upper end of the income range, however, the proportion of families with incomes of $10,000 or over not only rose sharply from 1949 to 1959, but also rose markedly in the period 1959-68 with the increase occurring mainly in the $15,000 and over class.

Table I presents the income distribution of all families in 1959,

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5. Blanche Bernstein, "The Distribution of Income in New York", The Public Interest, Number 20, Summer, 1970.

1968 and 1969 in constant 1969 dollars. What is notable, is that there has been relatively little change between 1968 and 1969 in the pattern already evident between 1959 and 1968 - stability in the proportion of families below $4,000 and an increase in the proportion with incomes of $15,000 or more.[6] Median income in constant 1969 dollars did rise, however, from $8,806 in 1968 to $8,917 in 1969 or by 1.3 percent, only slightly less than the annual average increase for the period 1959-68 of 1.4 percent.

What is truly notable about the 1969 income data is the indication of divergent trends among the white and non-white families, with the advantage, for once, substantially in favor of the Blacks (Table II). The data for the Blacks, however, are less reliable than the data for the whites since they are based on a smaller size population. Nevertheless, the decline in the proportion of Black families with incomes of less than $4,000 from 27.5 percent in 1968 to 19.0 percent in 1969 is greater than can be explained by sampling errors. The same can be said of the increase in the proportion of Black families with incomes of $15,000 or more from 5.9 percent in 1968 to 11.6 percent in 1969. The improvement at the lower end of the income scale in 1969 represents a distinct change from the trend

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6. Of course, in terms of dollars not adjusted for price change, the proportion of families with incomes below $4,000 declined from 17.2 percent in 1968 to 15.6 percent in 1969 and a substantial increase occurred in the proportion with incomes over $15,000, from 15.1 to 20.7 percent. To a considerable extent, however, the improvement in dollar incomes was eroded by the price inflation of 1969 which equalled 6.9 percent for the metropolitan area.

TABLE I

PERCENT DISTRIBUTION OF FAMILIES IN N.Y.C. BY SIZE OF FAMILY INCOME, 1959, 1968, 1969 (in Constant 1969 Dollars)

INCOME CLASS	1959	1968	1969	
0 - 999	2.5	1.5	1.8	
1,000 - 1,999	3.3	3.0	2.0	
2,000 - 2,999	4.4	5.6	5.0	
3,000 - 3,999	5.8	5.7	6.8	
(Under 4,000)	(16.0)	(15.8)	(15.6)	
4,000 - 4,999	6.9	6.8	7.6	
5,000 - 5,999	7.8	7.3	6.9	
6,000 - 6,999	9.7	8.6	6.4	
(4,000 - 6,999)	(24.4)	(22.7)	(20.9)	
7,000 - 7,999	10.3	6.5	6.9	
8,000 - 8,999	8.7	6.2	7.2	
9,000 - 9,999	7.6	6.6	6.0	
(7,000 - 9,999)	(26.6)	(19.3)	(20.1)	
10,000 - 12,499	(	(	13.3)	
	(21.1	(24.0	)	22.7
12,500 - 14,999	(	(	9.4)	
15,000 & over	11.9	18.2	20.7	
TOTAL	100.0	100.0	100.0	
Median Income	$7,932	$8,806	$8,917.	

TABLE II

PERCENT DISTRIBUTION OF FAMILIES BY SIZE OF FAMILY INCOME, AND ETHNIC GROUP, N.Y.C., 1959, 1968, 1969
(in Constant 1969 Dollars)

	White			Non-White		
INCOME CLASS	1959	1968	1969	1959	1968	1969
0 - 999	2.2	1.3	1.9	4.6	2.3	1.5
1,000 - 1,999	3.1	2.3	1.6	5.6	6.0	4.2
2.000 - 2.999	3.6	4.9	4.6	7.6	8.5	5.9
3,000 - 3,999	5.3	5.0	6.6	10.6	10.9	7.4
(Under 4,000)	(14.2)	(13.5)	(14.7)	(28.4)	(27.5)	(19.0)
4,000 - 4,999	6.8	5.9	7.1	13.1	9.7	11.0
5,000 - 5,999	6.9	6.9	6.1	11.7	9.3	11.3
6,000 - 6,999	9.5	6.4	5.7	10.3	9.8	10.1
(4,000 - 6,999)	(23.2)	(19.2)	(18.9)	(35.1)	(28.8)	(32.4)
7,000 - 7,999	10.1	8.1	6.3	9.2	5.7	7.4
8,000 - 8,999	9.2	6.5	7.2	7.0	7.8	7.1
9,000 - 9,999	7.8	5.6	5.8	5.0	9.0	6.8
(7,000 - 9,999)	(27.1)	(20.2)	(19.3)	(21.2)	(22.5)	(21.3)
10,000 - 12,499	(	(	14.0)	(	(	11.0)
	(22.1	(26.4	)24.4	(12.9	(15.3	) 15.7
12,500 - 14,999	(	(	10.4)	(	(	4.7)
15,000 & over	13.4	20.7	22.7	2.4	5.9	11.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Median Income	$8,272	$9,482	$9,500	$5,726	$6,357	$6,861

noted from 1959 to 1968. It may reflect, in part, the high level of employment in the city which continued until the latter part of 1969 and increasing wage levels, and in part, the increased number of Black families obtaining welfare payments. The increase at the upper end of the scale can hopefully be attributed to some lowering of the discriminatory bars to employment of Blacks in the higher paying jobs in business, industry, and finance, as well as in the professions.

Thus, while the median income for white families (including Puerto Rican) remained practically unchanged between 1968 and 1969, the median for Blacks rose from $6,357 to $6,861 or by 7.9 percent. Nevertheless, though the gap between the whites and the Blacks was somewhat narrowed, it remained substantial.[7] After declining from 69.2 percent of the white median in 1959 to 67.0 percent in 1968, the Black median income rose to 72.2 percent of the white median in 1969. The progress for the decade as a whole, however, is depressingly modest. In view of what is known about the improvement in the incomes of intact Black families compared to white families,[8] it reflects, not only the impact of discrimination, poor educa-

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7. The gap between the Blacks and the whites, excluding Puerto Ricans, would be greater, of course, since the Puerto Ricans are far more heavily concentrated at the lower income levels than other whites.

8. The median income of <u>intact</u> Black families in the country as a whole in 1968 was 70 percent of the median for whites but the median for <u>all</u> Black families was only 60 percent of the white Further among the intact Black families in the younger age groups, that is, with a family head of between 14-24 years and 25-34 years, the median income was 88 and 78 percent respectively of the white median. See "Social and Economic Status of Negroes in the United States, 1969", Current Population Reports, p. 23, No. 29, Bureau of the Census, U. S. Department of Commerce.

tion and training, and health deficiencies, but also the impact of family splitting during the last decade on the Blacks.

Income data for 1969 present a somewhat happier picture for unrelated individuals, whether white or Black, than for families (Tables III and IV). They show a continuing downward trend in the proportion with incomes below $4,000 (in constant 1969 dollars) from 60.2 percent in 1959 to 55.1 percent in 1968, and 49.9 percent in 1969 and a continuing upward trend in the proportion with incomes of $6,000 or more. Median income rose by almost 15 percent for all unrelated individuals in 1969 compared to the previous year with the whites gaining somewhat more than the Blacks. The Black median income for unrelated individuals was about 90 percent of white median in each of the three years. Unrelated individuals are, of course, more heavily concentrated in the lower income levels than are families, and it may be that wages rose more rapidly in 1969 for the unskilled occupations than for the skilled, technical and professional groups and thus outpaced the increase in prices which held back the rise in real incomes of families in New York.

In general, the income data derived from the Current Population Survey for 1969 oonform with what is known about general economic developments in the city during 1969. Unemployment remained at the low level of about 3 percent until the later part of the year when it began to rise to 3.4 percent in December 1969.[9] Wages and salaries increased but, by and

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9. New York State Department of Labor, Weekly Labor News Memorandum, March 4, 1970. In 1970, unemployment continued to rise and reached 4.1 percent in July and 4.9 percent in December. It remained at or somewhat above that level through the Spring of 1971.

TABLE III

PERCENT DISTRIBUTION OF UNRELATED INDIVIDUALS BY INCOME IN N.Y.C., 1959, 1968, 1969 (in Constant 1969 Dollars)

INCOME CLASS	1959	1968	1969
0 - 999	21.0	9.1	9.5
1,000 - 1,999	15.4	22.8	19.0
2,000 - 2,999	12.1	11.8	12.2
3,000 - 3,999	11.7	11.4	8.7
(Under 4,000)	(60.2)	(55.1)	(49.4)
4,000 - 4,999	10.4	8.0	7.8
5,000 - 5,999	7.4	7.2	8.6
6,000 - 6,999	7.3	6.2	8.6
(4,000 - 6,999)	(25.1)	(21.4)	(25.●)
7,000 - 7,999	4.3	5.7	6.7
8,000 - 8,999	2.7	3.0	4.3
9,000 - 9,999	1.4	3.6	2.2
(7,000 - 9,999)	(8.4)	(12.3)	(13.2)
10,000 - 12,499	(	(	7.2)
	(3.9	(8.2	) 9.1
12,500 - 14,999	(	(	1.9)
15,000 and over	2.4	3.0	3.3
TOTAL	100.0	100.0	100.0
Median Income	$3,128	$3,553	$4,077

large, were absorbed by price increases so that real incomes for many families remain unchanged.[10] Opportunities, previously not available to them, opened up for the Blacks in business, finance, and the professions.

TABLE IV

PERCENT DISTRIBUTION OF UNRELATED INDIVIDUALS,
BY INCOME AND ETHNIC GROUP
- N.Y.C., 1959, 1968, 1969
(in Constant 1969 Dollars)

INCOME CLASS	White			Non-White		
	1959	1968	1969	1959	1968	1969
0-1,999	36.1	30.8	28.1	31.9	37.0	29.6
2,000-3,999	21.6	22.9	20.4	37.9	24.5	23.9
4,000-5,999	17.6	14.0	14.9	20.8	22.1	24.5
6,000-7,999	12.4	12.3	15.0	6.9	9.1	16.8
8,000-9,999	5.0	6.9	7.1	1.4	3.9	3.3
10,000 & over	7.3	13.1	14.5	1.1	3.4	1.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Median Income	$3,238	$3,629	$4,200	$2,883	$3,324	$3,754

Welfare Eligibles and the Welfare Caseload

The determination of the number and types of persons eligible for welfare in New York City at any point in time cannot be precise; a certain amount of estimating is involved. The availability of income data from the Current Population Survey, however, does permit the development of

10. U.S.Department of Labor, BLS, Middle Atlantic Regional Office, "Changing Patterns of Prices, Pay, Workers and Work on the New York Scene", May 1971, p. 15.

reasonably accurate estimates of the number eligible. The ethnic composition of the welfare caseload, however, must to some degree be estimated, as is indicated below. Further, as with all sample surveys, the data are subject to sampling errors. A table on the standard errors for the CPS sample for New York is presented in Appendix A.

TABLE V

PERCENT DISTRIBUTION OF ALL UNRELATED INDIVIDUALS AND FAMILIES, BY BY INCOME AND SIZE OF FAMILY, N.Y.C., 1969

INCOME CLASS	Unrelated Indvls.	Families Including 2 Persons	3 Persons	4 Persons	5 Persons	6 And Over
0- 999	9.5	2.1	1.3	2.4	1.0	1.8
1,000- 1,999	19.0	3.3	1.5	-	2.4	-
2,000- 2,999	12.2	7.0	5.4	3.0	1.5	1.8
3,000- 3,999	8.7	8.5	6.9	4.9	6.3	2.4
4,000- 4,999	7.8	8.7	4.3	8.1	10.2	7.1
5,000- 5,999	8.6	7.0	6.3	5.8	8.8	7.7
6,000- 6,999	8.6	5.6	6.5	6.3	6.3	10.1
7,000- 7,999	6.7	7.5	7.6	5.5	7.3	5.3
8,000- 8,999	4.3	7.8	6.7	6.3	6.8	7.1
9,000- 9,999	2.2	5.2	6.3	6.1	5.9	8.9
10,000-12,499	7.2	12.7	14.3	14.1	14.2	11.8
12,500-14,999	1.9	9.5	10.2	11.5	5.4	7.1
15,000 & Over	3.3	15.1	22.7	26.0	23.9	28.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Median Income	$4,077	$8,038	$9,556	$10,284	$8,912	$9,753
No. of Unrelated Individuals or Family Units (000's)	985	853	462	346	215	177

The first approximation of the number of persons eligible for welfare in the city in 1969 is obtained by calculating from Table V, Percent Distri-

bution of Unrelated Individuals and Families, By Income and Size of Family, the number of such individuals and families who are at or below the welfare standards prevailing in 1969.[11] The welfare allowance, including the average rent is as follows:

Number of Persons	1969 Annual Welfare Allowances[a.] (Including Average Rent)
1	$2,002[b.]
2	$2,412
3	$3,063
4	$3,615
5	$4,160
6	$5,060[c.]

a. This is the net welfare standard excluding any allowances which may be made for work expenses, taxes and incentive payments for those welfare recipients who are working full or part time. See text discussion of net and gross welfare allowances.

b. Obtained by averaging allowances for persons over 65 and under 65 years of age and weighting the averages for individuals living in apartments and those living in rooming houses at 2:1.

c. Obtained by weighting the welfare allowances for the 6,7 and 8 person family to conform to the relative distribution of families of this size in New York City in the 1960 Census.

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11. Welfare allowances were adjusted upward in June 1970. The increases ranged from more than 10 to 20 percent for various types of families. For example, the allowance, including rent, for an AFDC mother with one child went from $2,352 to $2,820, about 20 percent. The increase for a family of four rose from $3,615 to $4,192, approximately 16 percent, and the increase for a family of eight went from $5,776 to $6,526, or about 13 percent. The impact of these increases on the numbers eligible for welfare cannot be determined, as the income distribution data for 1970 are not yet available, and will not be until sometime in 1971. Unemployment, of course, rose but so did wages and salaries and the outcome of these diverging factors on the distribution of families by income is difficult, if not impossible, to estimate with reasonable accuracy.

These calculations yield a figure of 967,000 persons of whom 280,000 are unrelated individuals and 687,000 are members of families of two or more persons. This estimate is about 76,000 below the estimate in "Welfare in New York City" in the February, 1970 issue of City Almanac although the present estimate is based on a higher and more accurate welfare allowance for the unrelated individual. The difference is the result of the rise in dollar incomes between 1968 and 1969. (As indicated above, there has been little improvement in real incomes.) This estimate must be adjusted, however, to take account of the difference between "net" and "gross" income as these terms are used in relation to welfare allowances. For, if the parent (or parents) of a welfare family, or a potential welfare family, is working, one must add to the welfare allowance (including rent), an allowance for work expenses, that is carfare and lunches, and for the social security tax withheld from wages, as well as for such income taxes as the welfare recipient must pay on his earned income. The differences between "net" and "gross" welfare standards can be as much as $800 - $900 per year.[12] Thus, the gross allowance for an unrelated individual who is working is $2,935 compared to the net of $2,002 for the individual who is not working and does not incur work-related expenses or receive income on which he must pay a social security and/or income tax. The gross for a family of four is $4,450 compared to the net of $3,615.

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12. These calculations assume a $500 allowance for work expenses, plus either $133 in social security taxes for the 1, 2, and 3 person family assuming earnings of $3,000 per year, or $170 for four person or larger family, assuming earnings of $4,000 per year, as well as the appropriate federal tax based on 1969 tax rates.

The arithmetic of a calculation of the number of individuals and families with incomes below the "gross" welfare standards yields a figure of 1,468,000 persons eligible for welfare rather than 967,000, or an additional half-million people. But this kind of arithmetic leads to a nonsensical conclusion. For example, if all unrelated individuals and one member of the two-person family were working a 35-hour week at the minimun wage of $1.65 per hour, their earnings ($3,003 per year) would exceed or approximate the welfare standard plus the work allowance, social security and income tax. Other variations are possible; these individuals might be working part-time but at $2.00 or $2.50 per hour. Thus, almost 400,000 unrelated individuals and about 200,000 members of two-person families would become ineligible for welfare, if they were working more or less full-time, and the estimate of the number eligible for welfare would come down to about 868,000. Furthermore, we know that in 1969 about 10 percent of the welfare caseload were the aged, blind and disabled, most of whom were not working and could not work and that over 90 percent of the AFDC mothers who, with their children constitute 70 percent of the caseload, were not working. Finally, it can be said that if every family had at least one member working,full or part time, and if all unrelated individuals were working only part-time, the number eligible for welfare might reach the figure of almost 1.5 million persons but the total cost would be far less than the present cost, as only relatively small supplements to annual wages would be necessary.

It is mainly among the intact families on the General Assistance

Program,about nine percent of the caseload, and among the families on AFDC-U (i.e., intact family with parent unemployed or employed part-time), less than 6 percent of the caseload, that one will find a member of the family in full or part-time employment.[13] In addition, about six percent of the AFDC mothers are working.[14]

As indicated above, if one assumes that one or two-person families have a working member, even at the minimum wage, their earnings would exceed the welfare standard plus the various allowances. The situation is different for families with three or more persons. Thus, if calculations are made for three or more person families on the basis of gross allowances, 290,000 persons are added to the potential number of eligibles for welfare for a total of 1,257,000 persons. One must bear in mind, however, that it is generally agreed, as noted above, that the CPS income data, as do other survey data, underestimate income by 10-11 percent and that the degree of underestimation is greater at both the lower and upper ends of the income range than it is in the middle. Further, the methodology used here results in the inclusion among the number of eligibles those who are short of the welfare standard by even a few dollars per year. Yet, no one is likely to apply for welfare if he is even short of the welfare standard by a few dollars per week. Thus, it seems reasonable to

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13. Based on distribution of the welfare caseload in June 1969.

14. It should be noted that these mothers are entitled, in addition to the allowance for work expenses and tax payments, to an incentive allowance equal to the first $30 per month of earnings plus one-third of remaining earnings; with earnings of $3,000, the incentive allowance would equal $1,240 per year.

reduce the estimate of 1,257,000 by about 12.5 percent,[15] or to 1.1 million persons.

The average number of people on welfare in the city during 1969 was 1,011,363; the December, 1969 caseload equalled 1,039,616, or about 60,000 persons short of the number whose low income made them eligible for welfare. Thus, there was only a small reservoir of potential eligibles in December, 1969. It is necessary to look further, however, to determine whether this apparent close match between the number eligible and the number on welfare remains when the data are examined in terms of unrelated individuals and family members, ethnic groups, and to the extent possible, the aged, over 65 years and those under 65 years.

Welfare Eligibles and the Welfare Caseload - Individuals and Members of Families

For purposes of the analysis in this section, the welfare data for June 1969 will be used, since the total caseload in this month - 1,012,100 - was practically the same as the average for the year.

In terms of unrelated individuals and family members, the June 1969

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15. This is based on the conservative assumption that (a) income is underestimated by 10 percent; and (b) none will apply for welfare if his income falls short of the welfare standard by $3 or less per week.

welfare caseload breaks down as follows:

	Individuals		Family Members
OAA	105,600	AFDC	697,882
General Assistance	56,300	AFDC-U	57,906
		General Assistance	94,400
TOTAL	161,900		850,188

On the other hand, the break-down of the number eligible for welfare taking account of allowances for work expenses and taxes, in comparison to those on welfare, is as follows:

	Number of Persons	
	Eligible	On Welfare (June,1969)
Individuals	280,000[a.]	161,900
Family Members	820,000[a.]	850,188
TOTAL	1,100,000	1,012,088

a. Single individuals working full time would not be eligible for welfare since their earnings even at the minimum wage of $1.65 per hour would exceed the "gross" welfare standard. Therefore, the entire difference between the estimate of the number eligible for welfare derived from using the "gross" welfare standard instead of the "net" has been put into the famlly category.

These data raise some odd and difficult questions. It appears that some 118,000 unrelated individuals were eligible for welfare but were not receiving it - the difference between 280,000 eligible and 161,900 on welfare. These are probably mainly the aged who are heavily concentrated in the lower income levels. There are several possible reasons as to why

they have not applied for welfare: They may have assets which would exclude them from eligibility and which they are using up to maintain a better standard of living than their income alone would allow. They may be receiving help from children who do not want to subject their parents to what they consider the indignity of being on welfare, or the aged persons may be suffering in silence either because they do not know their rights or will not accept what they consider the indignity of being on welfare. The availability of substantial assets is unlikely for many of the aged with incomes below the welfare standard, but how the group is divided among those receiving support from their children or, in fact, living below the welfare standard is not known. Certainly evidence from various studies of the aging indicates that possibly in the neighborhood of 100,000 aged individuals are living on very meager incomes - below the welfare standard.[16]

With respect to the number of persons in families of two or more, the data indicate about 30,000 more family members are on welfare than are eligible but this difference, equal to less than three percent, is well within the range of possible errors in estimation.

This analysis indicates, therefore, that there may, in fact, have been a reservoir of about 118,000 persons potentially eligible for welfare but that these were all unrelated individuals, mainly the aged, and not, as has been frequently asserted, families among the working poor.

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16. See Geneva Mathiasen, Priorities in Social Services: A Guide to Philanthropic Funding, Vol. II, Service to the Aging in New York City, a publication of the Center for New York City Affairs, New School for Social Research. Published by Praeger Publishers, New York.

Welfare Eligibles and the Welfare Caseload - by Ethnic Groups

An effort to analyze and compare the ethnic composition of the welfare eligibles and the actual caseload in 1969 is subject to the constraint that the income data are not available for the Puerto Ricans and other whites separately. (Tables VI and VII). Further, while data are available on the ethnic composition of the AFDC caseload, some estimating is necessary to classify the remainder of the welfare recipients.

The population data for 1969 reflected in the Current Population Survey present an additional problem. They appear to indicate an ethnic breakdown of 81.2 percent white, including Puerto Rican, and 18.8 percent non-white. The published data from the 1970 Census for New York City, however, indicates that non-whites constitute 23.5 percent of the city's population. In Table VIII, therefore, figures on the number at or below the welfare standard, by ethnic group, have been adjusted for the under-representation of non-whites and the over-representation of whites in the CPS sample.[17] Table IX presents the estimated distribution of the welfare caseload, as of June, 1969, by ethnic group.

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17. Actually, we may have overcompensated for the undercount of non-whites in the CPS sample. According to information obtained from Bureau of Census officials, it appears that some who were counted in the 1970 Census as non-white are in fact Puerto Rican. It is possible, therefore, that the final figures will show Blacks at 21.2 percent, other non-white at 1.3 percent for a total of 22.5 instead of 23.5 percent. Table VIII, therefore, may slightly overestimate the number of non-whites eligible for welfare and by the same token, slightly underestimate the number of eligible whites.

TABLE VI

PERCENT DISTRIBUTION OF WHITE UNRELATED INDIVIDUALS AND FAMILIES,
BY INCOME AND SIZE OF FAMILY,
N.Y.C., 1969

INCOME CLASS	Unrelated Indvls.	Families Including 2 Persons	3 Persons	4 Persons	5 Persons	6 And Over
0- 1,999	28.1	4.8	2.4	3.0	1.9	2.4
2,000- 3,999	20.4	15.7	10.1	6.3	5.6	4.8
4,000- 5,999	14.9	14.5	9.8	12.6	18.1	9.8
6,000- 7,999	15.0	12.2	13.6	10.3	13.1	14.6
8,000- 9,999	7.1	13.2	12.2	10.8	11.8	18.7
10,000-12,499	8.1	12.3	15.7	16.6	17.5	9.8
12,500-14,999	2.3	10.5	11.6	12.5	6.8	6.5
15,000 & Over	4.1	16.8	24.6	27.9	25.2	33.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Median Income	$4,200	$8,346	$10,303	$11,550	$9,900	$9,974
Number of Unrelated Individuals or Family Units (000's)	823	737	382	284	169	129

TABLE VII

PERCENT DISTRIBUTION OF NON-WHITE UNRELATED INDIVIDUALS AND FAMILIES, BY INCOME AND SIZE OF FAMILY, N.Y.C., 1969

INCOME CLASS	Unrelated Indvls.	Families Including 2 Persons	3 Persons	4 Persons	5 Persons	6 And Over
0- 1,999	29.7	9.0	6.6	-	8.8	-
2,000- 3,999	23.9	12.6	22.3	12.1	13.3	2.2
4,000- 5,999	24.5	23.4	15.8	20.5	26.6	28.3
6,000- 7,999	16.8	17.2	17.1	16.9	15.6	21.7
8,000- 9,999	3.2	11.7	17.1	20.2	13.4	6.5
10,000-12,499	1.9	17.1	6.6	3.4	4.4	19.6
12,500-14,999	-	3.6	3.9	8.5	-	8.7
15,000 & Over	-	5.4	10.6	18.4	17.9	13.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
Median Income	$3,747	$6,617	$7,000	$8,050	$6,194	$6,899
Number of Unrelated Individuals or Family Units (000's)	162	116	80	62	46	48

TABLE VIII

ESTIMATED NUMBER OF UNRELATED INDIVIDUALS AND FAMILY MEMBERS WITH INCOMES AT OR BELOW WELFARE STANDARD, 1969, BY ETHNIC GROUPS, ADJUSTED FOR UNDERCOUNT OF NON-WHITES AND OVERCOUNT OF WHITES [a]

	Number Apparently Eligible	Number on Welfare June, 1969 [b]
Total	1,100,000	1,012,100
Family Members	820,000	850,200
Unrelated Individuals	280,000	161,900
White	722,100	580,900
Family Members	502,100	471,300
Unrelated Individuals	220,000	109,600
Non-White	377,900	431,100
Family Members	317,900	378,800
Unrelated Individuals	60,000	52,300

a/ This adjustment was made in two steps: 1) the number of non-white eligibles obtained from determining the numbers with incomes below the "net" welfare standard was increased by 25 percent to reflect the degree of undercount and the numbers of whites was reduced accordingly; 2) figures for both whites and non-white family members were raised proportionately to the difference between the numbers eligible according to the "net" and the "gross" income concepts, i.e., 967,000 and 1,100,000, with the number of unrelated individuals held constant.

b/ See Table IX for details and methodology.

TABLE IX

ESTIMATED NUMBER UNRELATED INDIVIDUALS AND FAMILY MEMBERS ON WELFARE, JUNE 1969 BY ETHNIC GROUP [a]

Family Members	White	Puerto Rican	Total White	Non-White	Total
AFDC	90,724	279,153	369,877	328,004	697,882
AFDC-U	7,528	23,162	30,690	27,216	57,906
General Assistance	5,864	65,136	70,800	23,600	94,400
Total	104,116	367,451	471,367	378,820	850,188
Unrelated Individuals					
OAA, AB, AD	67,690	13,730	81,420	24,170	105,600
General Assistance	12,386	15,764	28,150	28,150	56,300
Total	80,076	29,494	109,570	52,320	161,900
GRAND TOTAL	184,192	396,945	580,937	431,140	1,012,088

a/ The figures shown in the table were obtained as follows: The breakdown of the AFDC caseload is based on data in the study of the 1968 AFDC caseload prepared jointly by the U.S. Department of Health, Education and Welfare and the N.Y.S. Department of Social Services, i.e., 13 percent white, 40 percent Puerto Rican and 47 percent non-white. (The ratios for 1969 were approximately the same, according to a study just published by the N.Y.S. Department of Social Services, as reported in THE NEW YORK TIMES, March 14, 1971.) It was assumed that the same ratios applied to those on AFDC-U. With respect to families and unrelated individuals on General Assistance, data were available, with slight adjustments, from Characteristics of Home Relief Clients in New York State, Program Brief 22, N.Y.S. Department of Social Services. The breakdown for families on General Assistance is 6 percent white, 69 percent Puerto Rican and 15 percent non-white; for single individuals, the ratios are 22 percent white, 28 percent Puerto Rican and 50 percent non-white. The ethnic composition of the OAA, AB and AD caseloads was assumed to be the same as the general population, i.e., approximately 64 percent white, 13 percent Puerto Rican and 23 percent non-white; this seems a reasonable assumption in view of the higher proportion of aged in the white population, excluding the Puerto Rican.

The data on welfare eligibles and the welfare caseload by ethnic composition, as did the data for unrelated individuals and families, raise some disturbing questions. The number of white family members (including Puerto Ricans) apparently eligible (502,000) exceeds the number on welfare (471,400) by about 31,000; the gap in this case is about 6.5 percent. But as could be anticipated from the data by unrelated individuals and family members given above, there appear to be far more white unrelated individuals eligible for welfare - 220,000 - than the 109,600 obtaining assistance in June, 1969.

The discrepancy between the number of family members eligible according to the income data and the number on welfare is larger for the non-whites than the whites and is in the opposite direction. The 378,800 non-white family members actually on welfare is substantially above (about 20 percent) the adjusted estimate of 317,900 non-white family members eligible. As in the case of the whites, the number of non-white unrelated individuals eligible for welfare, 60,000, exceeds the 52,300 receiving welfare payments, but the discrepancy is much narrower than for the whites.

One can only speculate about the significance of the discrepancies noted above and how they come about. To the extent that the number eligible <u>exceeds</u> the number on welfare, and this holds true basically only for the unrelated individuals, white and non-white, the answer, as indicated above, may be in contributions to the support of parents by their children <u>or</u> in silent suffering. But, to the extent that the number on welfare <u>exceeds</u> the number who appear to be eligible, other explanations

must be sought. To some extent, this may reflect situations where a family is on welfare in a particular month or two but where the head of the household has been earning an income during the rest of the year, at a level above the welfare standard. In other types of situations, such as the case recently reported in the press, the head of the household may have a job under one name and be on welfare under another. In what may be the more typical case - but one can only hazard a guess at this - some welfare recipients may be reporting their earned income to the census taker but not to the Department of Social Services. In any event, the discrepancies are too substantial to be regarded with complacency.

Implications for Welfare Policy and Administration

The year 1969 to which this analysis applies, was still a relatively good year in terms of employment in New York City. The unemployment rate in the city remained at its eight year low of just around 3 percent until October and only rose to 3.4 percent by December, 1969. It was, indeed, a year of labor shortages in some occupations, unskilled as well as skilled, and in some services and industries. Nevertheless, the welfare caseload continued to rise to ever higher levels with the largest increase taking place in the AFDC caseload.

While this analysis, based on the relationship of income and welfare eligibility in 1969, indicates a close match between the total number eligible and the number on welfare, there is reason to question whether so many families in New York needed to be so deprived of income as to re-

quire welfare assistance. In 1969, thousands of jobs suitable to the skills of those on welfare were available but the difference between potential earnings and the welfare allowance was apparently not sufficient to attract the welfare recipients into the labor market. Data on desertion provide some evidence for the view that part of the increase in the welfare caseload in New York in the 60's reflected "fiscal" rather than real abandonment of families by the father, or, in other words, represented an effort to maximize family income by a combination of the father's earnings and welfare payments for the mother and children. Finally, changes in administrative practices and in welfare personnel have resulted in less rigorous screening for initial and continuing elibibility for welfare.[18]

In 1970, New York City began to feel the impact of the economic recession. Unemployment rose from the December, 1969 level to 4.1 percent by July, 1970 and to close to 5.0 percent by the end of the year. Unemployment rates for Blacks were significantly higher than for whites.[19] One would expect some increase in the welfare caseload during a period of recession and, in fact, the caseload rose from an average of 1,011,363 in 1969 to 1,165,583 in December, 1970, an increase of 15.5 percent. What is troubling about the increase, however, is this: one would expect a rise

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18. For a critical analysis of the reasons for the rise in caseload from 1961-69, a period of rising employment, see Blanche Bernstein, "Welfare in New York City", City Almanac, February, 1970.

19. U. S. Department of Labor, BLS, Middle Atlantic Regional Office, Op. Cit. Table 4, p. 14.

in unemployment and consequent loss of earnings to reflect itself in an increase in the number of intact families on the General Assistance and AFDC-U programs, at least proportional to the total increase in the numbers on welfare, and probably more than proportional. But this has not been the case - the exact reverse has occurred. Comparing December, 1969 and December,1970 the total number of persons on welfare rose 12.1 percent. During the same period, the number of persons on General Assistance and AFDC-U - in other words, the intact families - declined by about two percent and the AFDC caseload went up by 12.4 percent.[20] Between December,1969 and March, 1971, the latest month for which data are available, this phenomenon is less marked. Nevertheless, the total caseload rose 2.6 percent, the AFDC caseload went up 2.3 percent while the General Assistance and AFDC-U caseloads rose only 1.0 percent. (The major increase, about 10 percent during this three month period was in Aid to the Disabled which includes narcotics addicts.)

The explanation frequently offered for the fact that the economic recession is not reflected in an increase in the number of intact families on welfare is that, unlike the white male, the Black, and presumably also the Puerto Rican male, when he loses his job, suffers a loss of his male role, and therefore, abandons his family which must perforce seek

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20. The figures may be clouded by a shift of narcotics addicts from the General Assistance Program to Aid to the Disabled. In any event, AD rose from 51,584 in December 1969 to 69,542 in December 1970. But even if AD is added to General Assistance and AFDC-U, the increase in the year was only 6.6 percent. Further, it seems likely that the increase in AD in 1970 reflects a real increase in the total number of addicts on welfare.

assistance under the AFDC program. The exponents of this view apparently believe there is some fatal flaw in Black and Puerto Rican family and social structure which is quickly revealed by economic stress. It seems more likely that two other factors are at work, one formal and the other informal. The formal one is administrative - a continuation of a long-term situation in New York - and reflects the fact that the federal government does not contribute to the General Assistance program. Thus, welfare officials have frequently stated - though less often recently - that what is wrong with welfare is that the father must leave home for the family to qualify for assistance. The frequent repetition of this view, even though it was incorrect as applied to New York which has had a general assistance program for intact families since the 30's, may well have impressed itself on many low-income families. The informal factor, is that many families once they get on the General assistance program may learn about the possibilities the welfare system offers for income maximization. Thus, at the point when the man in the family obtains a job again, he may "leave" the family so that they can shift to AFDC. Evidence from Lawrence Podell's study indicates that most AFDC women separated from their husbands <u>after</u> the family was on public assistance.[21]

Hopefully, new federal welfare legislation will provide a federal contribution to what is now called the General Assistance program and thus relieve state and local officials of the fear that they will be left carrying a huge financial responsibility for welfare assistance to intact families with insufficient income. But this will not solve the potentialities

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21. Lawrence Podell, Families on Welfare in New York City, Preliminary Report No.1, Center for Social Research, City University of New York.

the system offers for manipulation by welfare clients. This requires appropriate enforcement procedures and sufficiently frequent checks to insure the initial and continuing eligibility of families to receive welfare payments.

Evidence has been developed during recent years to indicate that the relatively high welfare benefit levels mandated by New York State, compared to potential earnings from unskilled or semi-skilled jobs, have had an adverse impact on the incentive to work, particularly among those who, on the basis of their skills and training, can only obtain jobs at or not too much above the minimum wage.[22] The impact of the level of welfare allowances on the incentive to work cannot be ignored.

If we are to maintain decent welfare standards for the significant numbers of people in our society who do need help, who do not have alternative ways of obtaining income, such standards must be coupled with a work requirement for those able to work. In this connection, the same standards and constraints must apply to the welfare recipient as apply to the non-welfare population. In other words, the welfare recipient is under the same obligation to take the same types of jobs that the non-welfare population does and, with respect to female heads of households, they have the same obligation to make adequate arrangements for

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22. Elizabeth Durbin, The Effect of Welfare Payments on the Decision to Work, New York University, Graduate School of Business Administration, August, 1968, and The Administration of Aid to Families with Dependent Children in New York City, Report of a Joint Review by the U. S. Dept. of Health, Education and Welfare and New York State Department of Social Services.

the care of their child or children as is carried by the female heads of households who are working and are not on welfare. In this connection, it may be noted that about 53 percent of female heads of households in poverty areas in New York City are working. Only about six percent of the female heads of households on AFDC are working. Both the low-income working mother and the AFDC mother should receive the help they need to upgrade their skills and to arrange for the care of their children. They should, of course, also be able to obtain family planning services, and abortions, if they wish to limit the number of their children.

The work requirement constitutes just and equal treatment for all. We cannot expect the large part of the city's population, including a majority of female heads of households, who are now working at jobs that pay $80 - $125 a week to consider it reasonable for others now on welfare to be allowed to refuse such jobs because they are "menial", have little upward mobility, or do not give them a sufficiently large net return over and above the welfare allowance to make it "worthwhile". A job, even at $80 or $90 per week, plus the incentive allowance, will provide a better standard of living for the AFDC mother with one child, who, even at the 1970 welfare standard, receives an allowance of only $54 a week (including rent), and this standard is about to be reduced as a result of the recent action of the New York State Legislature. It would probably also be better for the mother with two children now obtaining $69 per week on welfare. Mothers with one or two children constitute about half the mothers on the AFDC

caseload and with their children equal about one-third of the total AFDC caseload, or about 288,000 persons. It should be noted that these are likely to be younger women with better educational attainment than the older women with three or more children. They are, therefore, more likely to be able to obtain jobs, assuming arrangements can be made for the care of their children. If many of these women were working, the saving in welfare costs could be substantial, possibly as much as $130 million per year.[23] Equally important, a work requirement might encourage family stability as the AFDC mothers and their husbands realized the economic and social advantages of pooling their earnings in a joint household.

Summary and Conclusions

In brief, the burden of this analysis is:

1. In 1969, a prosperous year marked by a low rate of unemployment, only a small reservoir of persons eligible for welfare in New York City were not on welfare and these were mainly the aged and unrelated individuals.

2. While the total number of people on welfare approximated the number eligible according to the 1969 income data, substantial discrepancies appear to exist in terms of family composition and ethnic groups. More unrelated individuals, mainly aged persons, whites and Blacks, are eligible

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23. Total payments to AFDC cases in a recent month (March, 1971) were running at the annual rate of about $790 million. Since, it is likely that some AFDC mothers with one or two children cannot work because of health or other problems and that some would require supplementation, even if they worked full time, the potential savings are estimated conservatively at about one-sixth (i.e., half the mothers with one or two children) of the current cost of the welfare payments to AFDC families.

than are on welfare; about 20 percent more Black family members are on welfare than appear to be eligible.

3. The discrepancies among the numbers and types of persons eligible for welfare and on welfare are such as to call, on the one hand, for improved administration, to insure initial and continuing eligibility of welfare recipients and, on the other hand, expanded efforts to insure that the aged poor entitled to welfare benefits receive them.

4. Evidence of the adverse impact of comparatively high welfare benefits on the incentive to work at available jobs - and jobs were available in 1969 - underscores the need for the effective administration of a work requirement for those welfare recipients able to work. But, if a work requirement is to be effective, jobs must be available in 1971 and future years for those who can work. For this and other reasons, an expanded public employment program must be initiated to insure that jobs are available.

APPENDIX A

Standard Errors of Estimated Percentages
of Households or Families
(ratio-estimated or non-ratio-estimated data)
(68 chances out of 100)

Estimated Percentage	Base of Percentage					
	50,000	100,000	250,000	500,000	1,000,000	2,500,000
1 or 99		1.1	.7	.5	.4	.2
2 or 98	2.3	1.6	1.0	.7	.5	.3
5 or 95	3.5	2.5	1.6	1.1	.8	.5
10 or 90	4.8	3.4	2.2	1.5	1.1	.7
25 or 75	7.0	4.9	3.1	2.2	1.6	1.0
50	8.0	5.7	3.6	2.5	1.8	1.1

Source: Memorandum for Daniel B. Levine, Chief, Demographic Surveys Division from Joseph Waksberg, Chief, Statistical Methods Division on the subject Estimating Standard Errors for Special Tabulations for New York Standard Metropolitan Statistical Area, Bureau of the Census, U. S. Department of Commerce.